

National Income Increased Five Billion Dollars in 1934

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IN 1934, estimated income payments in the form of wages, salaries, and other labor income, interest, dividends, entrepreneurial withdrawals, and net rents and royalties to individuals for economic services rendered totaled 49.4 billion dollars as compared with 44.4 billion dollars in 1933, a gain of 11 percent. This increase brought the total national income paid out to a slightly higher figure than that estimated for 1932. The 1934 total was still 37 percent below that of 1929 when the national income paid out equaled 78.6 billion dollars. Each of the 12 major industrial groups, with the single exception of the electric light and power and manufactured gas industry, and each type of income payment, except interest, shared in the 1934 rise. Generally, the 1934 gains were largest in those industries and types of income payments which had recorded the largest relative declines during the depression.

Work relief payments, including pay rolls and maintenance received by members of the Civilian Conservation Corps, pay rolls on Civil Works Administration and Federal Emergency Relief Administration work projects, and administrative pay rolls of State, county, and other local public relief administrative agencies, are included in the estimates. These payments increased from 637 million dollars in 1933 to 1,394 million dollars in 1934. If they are excluded, the national income paid out in 1934 was larger than in the preceding year by 4.2 billion dollars, or 10 percent. Pay rolls disbursed on Public Works Administration projects are included in the estimates for the construction industry for those projects carried on under contract and in the estimates for other industries where the projects were carried on by the industry itself, with the aid of Public Works Administration funds. Pay rolls on Public Works Administration projects totaled 33 million dollars in 1933 and 302 million dollars in 1934. Prior to 1933 there were many work relief projects financed in the main from funds provided by local and State governments or private relief agencies, but there is no basis for estimating this total and as a result they do not appear in the estimates. Direct relief disbursements from public and private funds are excluded from the estimates, since they are not regarded as income payments for economic services rendered.

Business Losses Substantially Reduced

Available data indicate a marked decline in both 1933 and 1934 in business losses which in 1932 equaled approximately 10 billion dollars. Estimates of busi-

ness savings and losses and of income produced are not presented in the tables in this article since the income-tax data necessary for the preparation of these estimates are not yet available for 1933 and 1934. According to a tabulated sample of published corporation reports, business losses in 1933 were less than one-half of the 1932 total and in 1934 were further reduced to a point between one-fourth and one-fifth of the 1932 figure. Since the national income produced is estimated by adding business savings to or deducting

Table 1.—National Income Paid Out, by Types of Payment

Item	1929	1930	1931	1932	1933	1934
Millions of dollars						
Total income paid out.....	78,576	72,973	61,433	47,964	44,431	49,440
Labor income.....	51,088	46,844	39,444	30,643	29,121	33,109
Salaries (selected industries) ¹	5,664	5,551	4,606	3,387	2,997	3,196
Wages (selected industries) ¹	17,197	14,251	10,608	7,017	7,189	8,944
Salaries and wages (all other industries).....	27,291	26,052	23,148	19,141	17,325	18,675
Work relief wages ²					637	1,394
Other labor income.....	936	990	1,082	1,098	973	900
Property income ³	11,632	11,719	10,076	8,189	6,995	7,143
Dividends.....	5,963	5,794	4,312	2,749	2,042	2,307
Interest.....	5,104	5,310	5,228	5,048	4,569	4,509
Net rents and royalties.....	3,432	2,763	1,847	1,153	950	1,085
Entrepreneurial withdrawals.....	12,424	11,647	10,066	7,979	7,365	8,103
Percentage of 1929						
Total income paid out.....	100.0	92.9	78.2	61.0	56.5	62.9
Labor income.....	100.0	91.7	77.2	60.0	57.0	64.8
Salaries (selected industries) ¹	100.0	98.0	81.3	59.8	52.9	56.4
Wages (selected industries) ¹	100.0	82.9	61.7	40.8	41.8	52.0
Salaries and wages (all other industries).....	100.0	95.5	84.8	70.1	63.5	68.4
Work relief wages ²						
Other labor income.....	100.0	105.8	115.6	117.3	104.0	96.2
Property income ³	100.0	100.7	86.6	70.4	60.1	61.4
Dividends.....	100.0	97.2	72.3	46.1	34.2	38.7
Interest.....	100.0	104.0	102.4	98.9	89.5	88.3
Net rents and royalties.....	100.0	80.5	53.8	33.6	27.7	31.6
Entrepreneurial withdrawals.....	100.0	93.7	81.0	64.2	59.3	65.2

¹ Includes mining, manufacturing, construction, steam railroads, Pullman, railway express, and water transportation.

² Includes pay rolls and maintenance of members of the Civilian Conservation Corps and pay rolls of Civil Works Administration and Federal Emergency Relief Administration work projects plus administrative pay rolls outside of Washington.

³ Includes net balance of international flow of property incomes.

business losses from income paid out, the above evidence indicates an increase in the national income produced of approximately 6 to 7 billion dollars from 1933 to 1934, bringing the income produced total to a level about 2 billion dollars below the income paid out. These marked declines in business losses represent a substantial reduction in the draft upon industries' capital and surplus accounts in sustaining income payments.

Basis of the Estimates

Estimates presented herein for the years 1929 to 1932, inclusive, represent revisions of the figures presented in the first study of national income prepared by the Department of Commerce in cooperation with the National Bureau of Economic Research and pub-

lished under the title "National Income, 1929-32", Senate Document No. 124, Seventy-third Congress, second session. Preliminary estimates for the year 1933 were published in the January 1935 issue of the Survey of Current Business. Partial revision of these estimates has been occasioned by the use of more recent basic data, major changes in the estimates for the finance industry, and by the return to the methods used in the first volume in estimating separately income paid out and income produced in agriculture.

Both the 1933 and 1934 figures presented in this article are preliminary, the property income estimates in particular being subject to revisions when the statistics of corporate income-tax returns for these two years become available. Final figures for the years 1929 to 1933, inclusive, and preliminary figures for 1934 will be presented in complete detail, classified by industrial sources of income and by types of payment, in a volume to appear later in the year. This report will include estimates of business savings and losses and income produced as well as income paid out.

A thorough discussion of the concepts, methods, and limitations of the estimates is presented in the original report cited above. While the concepts of income as defined in that study generally have been unchanged, there have been many departures in the sources of information upon which the estimates are based and in the methods of estimation. The results of the 1933 Census of American Business, encompassing wholesale and retail trade and service establishments, led to revisions in the trade and service estimates, particularly in the latter. New basic data in many other fields have resulted in a higher degree of accuracy in the estimates.

Table 2.—Percentage Distribution of Income Paid Out, by Types of Payment

Type of payment	1929	1930	1931	1932	1933	1934
Total income paid out.....	100.0	100.0	100.0	100.0	100.0	100.0
Labor income.....	65.0	64.2	64.2	63.9	65.5	67.0
Salaries (selected industries) ¹	7.2	7.6	7.5	7.1	6.7	6.5
Wages (selected industries) ¹	21.9	19.5	17.3	14.6	16.2	18.1
Salaries and wages (all other industries).....	34.7	35.7	37.7	39.9	39.0	37.8
Work relief wages ²					1.4	2.8
Other labor income.....	1.2	1.4	1.7	2.3	2.2	1.8
Property income ³	14.8	16.0	16.4	17.1	15.8	14.4
Dividends.....	7.6	7.9	7.0	5.7	4.6	4.7
Interest.....	6.5	7.3	8.5	10.5	10.3	9.1
Net rents and royalties.....	4.4	3.8	3.0	2.4	2.1	2.2
Entrepreneurial withdrawals.....	15.8	16.0	16.4	16.6	16.6	16.4

¹ Includes mining, manufacturing, construction, steam railroads, Pullman, railway express, and water transportation.

² Includes pay rolls and maintenance of members of the Civilian Conservation Corps and pay rolls of Civil Works Administration and Federal Emergency Relief Administration work projects plus administrative pay rolls outside of Washington.

³ Includes net balance of international flow of property incomes.

Income paid out may be briefly defined as the compensation paid to or received by individuals for their productive services, whether labor, management, or the furnishing of capital. The scope of the estimates presented herein is largely limited to those economic services which enter into the market place of our economy. This limited scope leads to the exclusion of services of housewives and other members of the family in the home, and services of durable goods

owned and possessed for personal use such as dwellings, furniture, and automobiles. Other payments not counted because of difficulties of accurate estimation, because of duplication, or because no services are rendered or the services rendered are not considered as economic or productive, include earnings from odd jobs, changes in the value of assets, direct relief and charity, and earnings from illegal pursuits. Work relief wages are included on the presumption that the workers have performed an economic service, that the results are economically beneficial, and that wages paid are in accordance with the value of the services rendered. It should be noted that the relative increase in odd jobs during the depression may result in some overstatement of the decline in income paid out. The probable expansion of services in the home, which were formerly purchased in the market, results in a decrease in the estimates, whereas the yield of these services may have increased.

Decline in Real Income

Real income did not vary to the extent of the dollar decline indicated in table 1, since price changes were an important factor in the movements indicated. Indexes of prices shed considerable light on the effect of price movements on fluctuations of the national income but they are not sufficiently representative to warrant their use in deflating the income figures in order to determine the drop in real income. The substantially greater decline of income payments as compared with prices does, however, indicate a marked decline in real income during the depression. While income paid out declined 43 percent from 1929 to 1933, the Bureau of Labor Statistics indexes of the cost of living and of wholesale prices decreased 23 percent and 31 percent, respectively. The net decline from 1929 to 1934 in income paid out was 37 percent as compared with a decrease of 20 percent in the cost of living and 21 percent in the level of wholesale prices.

Variations in Income Payments

The movement of different types of income payments varied considerably during the depression as shown in table 1. Except for the 1930 increase and 1934 decrease in interest paid, and the 1933 increase in wages, every type of income payment decreased continuously from 1929 to 1933 and increased in 1934. The 1933 to 1934 changes tended to reduce the disparity of the trends for the earlier period. Relative to 1929, labor income declined 43 percent by 1933 and increased 14 percent from 1933 to 1934 while property income fell off 40 percent by 1933 and increased only 2 percent in 1934. Exclusive of work relief payments, labor income increased 11 percent from 1933 to 1934.

The less rapid decline in property incomes from 1929 to 1933 as compared with labor incomes was due largely to the fixed nature of interest charges which

did not fall below the 1929 level until 1932 and which in 1933 were only 11 percent below the 1929 total. Dividends, on the other hand, decreased substantially after 1930, declining to 34 percent of the 1929 level in 1933. Interest payments declined 1 percent in 1934 while dividends increased by 13 percent. Wages, which had declined more than salaries in those industries in which wages and salaries could be segregated, increased 24 percent in 1934 whereas salary payments rose only 7 percent. The net decline in dividends from 1929 to 1934 of 61 percent was considerably greater than the drop in wages over the same period.

Net rents and royalties declined sharply during the depression not only because of the marked drop in gross rental income, but also because of the rigidity of such items as taxes, insurance, interest, and depreciation, which must be taken into account in determining the net return to landlords. While the available statistics on gross and net rents are not very reliable, the evidence suggests a drop of nearly three-fourths in net rents and royalties from 1929 to 1933 and a 14-percent rise in 1934. Whereas the ratio of net to gross rents had been assumed constant in the previous estimates, an attempt was made in preparing the current figures to estimate the change in this ratio from year to year, as a result the figures have been revised substantially.

Entrepreneurial withdrawals, representing the income withdrawn by owners and partners of unincorporated establishments, professional practitioners, and other self-employed persons, declined 41 percent from 1929 to 1933 and increased 10 percent in 1934. For many industries, estimates of entrepreneurial withdrawals are based on salary and wage estimates and this explains the relatively close relationship of the trends of labor income and entrepreneurial withdrawals.

Better Balance in 1934 Relative to Conditions in 1929

The relative importance in each year of each type of payment in the total income paid out appears in table 2. The changes from 1929 to 1932 indicate only a slight change in the relative proportion of labor income, a relative increase in property income, and entrepreneurial withdrawals, and a sharp decrease in the proportion which net rents and royalties represented of the total. The movement in 1933 and 1934 tended to bring the relative weights of most series in 1934 closer to their positions in 1929, although variations continued to persist. Labor income accounted for a larger proportion of the total income in 1934 than in 1929 and property income for a slightly smaller portion. Even if work-relief payments are excluded, this situation is true.

Increases in 1934 in 11 out of 12 Industrial Groups

Table 3 shows income payments by different industries for each year since 1929. With the exception of the electric light and power industry income paid out

by each industrial group increased in 1934. Generally, the industries in which the declines had been most pronounced from 1929 to 1933 showed the largest gains in 1934. Thus income paid out in 1934 increased 31 percent in the mining and quarrying, 21 percent in the manufacturing, and 13 percent in the construction industries, each of which had declined by more than 50 percent from 1929 to 1933. The increase in employees and restoration of employees' pay rates, as well as the continued increase of interest charges on expanding Government debt obligations, led to a rise in income payments by Governmental agencies, excluding work relief, in 1934 to a point 3 percent above the 1929 level.

Table 3.—National Income Paid Out, by Industrial Division

Industry	1929	1930	1931	1932	1933	1934
Millions of dollars						
Total.....	78,576	72,973	61,433	47,964	44,431	49,440
Agriculture.....	6,157	5,495	4,271	3,192	2,993	3,299
Mining.....	2,080	1,733	1,206	813	772	1,008
Electric light and power and gas.....	1,304	1,475	1,408	1,275	1,164	1,143
Manufacturing.....	18,014	15,942	12,363	8,544	8,273	10,000
Construction.....	3,257	2,939	1,969	948	781	869
Transportation.....	6,592	6,129	5,169	4,083	3,747	3,993
Communication.....	913	946	894	801	727	749
Trade.....	11,385	10,839	9,555	7,538	6,620	7,177
Finance.....	8,415	7,540	6,296	4,925	3,998	4,130
Government: Total.....	6,809	7,048	7,193	7,153	7,377	8,404
Excluding work relief payments.....	6,809	7,048	7,193	7,153	6,740	7,010
Work relief payments ¹					637	1,394
Service.....	8,459	7,979	6,939	5,442	4,884	5,412
Miscellaneous.....	5,191	4,908	4,170	3,250	3,095	3,256
Percentage of 1929						
Total.....	100.0	92.9	78.2	61.0	56.5	62.9
Agriculture.....	100.0	89.2	69.4	51.8	48.6	53.6
Mining.....	100.0	83.3	58.0	39.1	37.1	48.5
Electric light and power and gas.....	100.0	113.1	108.0	97.8	89.3	87.7
Manufacturing.....	100.0	88.5	68.6	47.4	45.9	55.5
Construction.....	100.0	90.2	60.5	29.1	24.0	26.7
Transportation.....	100.0	93.0	78.4	61.9	56.8	60.6
Communication.....	100.0	103.6	97.9	87.7	79.6	82.0
Trade.....	100.0	95.2	83.9	66.2	58.1	63.0
Finance.....	100.0	89.6	74.8	58.5	47.5	49.1
Government: Total.....	100.0	103.5	105.6	105.1	108.3	123.4
Excluding work relief payments.....	100.0	103.5	105.6	105.1	99.0	103.0
Work relief payments ¹						
Service.....	100.0	94.3	82.0	64.3	57.7	64.0
Miscellaneous.....	100.0	94.5	80.3	62.6	59.6	62.7

¹ Includes pay rolls and maintenance of members of the Civilian Conservation Corps and pay rolls of Civil Works Administration and Federal Relief Administration work projects plus administrative pay rolls outside of Washington.

Income paid out in 1934 in the agriculture industry increased 10 percent, but there is evidence of a much larger increase in the total income produced than in the income paid out in this industry in 1934. The marked improvement in the price of agricultural commodities and the disbursement of over one-half billion dollars in rental and benefit payments by the Agriculture Adjustment Administration, which are included in these estimates as an item in the gross income of farmers, led to a substantial gain in the net income available for the return on the farm operators labor, management, and capital. There is evidence also to indicate that the large business losses shown in 1932 for the agriculture industry have been eliminated and that business savings occurred in 1934.